

Message Text

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PAGE 01 STATE 026214

17

ORIGIN EB-07

INFO OCT-01 AF-06 ARA-10 EUR-12 ISO-00 AGR-10 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-02 RSC-01 AID-05

CIEP-02 SS-15 STR-04 TAR-01 TRSE-00 USIA-15 PRS-01

SP-02 OMB-01 FEA-01 IO-10 /133 R

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FM SECSTATE WASHDC

TO AMEMBASSY SAN SALVADOR

INFO AMEMBASSY LONDON

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

AMEMBASSY MEXICO

AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMEMBASSY BOGOTA

AMEMBASSY ABIDJAN

AMCONSUL LUANDA

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: COFFEE: BACKGROUND ON CURRENT MARKET

REF: SAN SALVADOR 437

UNCLASSIFIED

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PAGE 02 STATE 026214

1. FOLLOWING COMMENTS FROM JANUARY 17, 1975 QUOTE. WEEKLY COFFEE REPORT UNQUOTE. OF SELCAMERICA, INC. OF NEW YORK, A FRENCH/U.S. TRADING FIRM, REFLECT VIEWS OF MUCH OF THE COFFEE TRADE AND ARE FORWARDED FOR POSTS BACKGROUND.

A. BEGIN QUOTE. SINCE MONDAY THERE HAVE BEEN RUMORS ON THE MARKET THAT A FEW BRAZILIAN EXPORTERS HAVE BEEN AUTHORIZED TO SELL COFFEES TO EUROPEAN FIRMS, WHO HAVE NOT SIGNED A SPECIAL AGREEMENT WITH THE I.B.C., AT THE SAME LEVELS THAN THOSE PURCHASED BY SIGNATORIES OF THE SPECIAL CONTRACTS. MOREOVER, THESE NEW SALES WILL HAVE AN ADDED ATTRACTION: THE BUYER WILL ONLY DISBURSE THE ACTUAL PRICE (PRIX FIXE) INSTEAD OF BEING CREDITED IN AVISO FOR THE DIFFERENCE BETWEEN THE FICTITIOUS PRICE PAID LOCALLY AND THE PRIX FIXE ESTABLISHED BY THE I.B.C., AS IS PRESENTLY THE CASE FOR SPECIAL CONTRACTS. WILL THIS NEW SYSTEM EVENTUALLY BE APPLIED ALSO IN THE U.S.A.?

B. THE PESSIMISM EXPRESSED BY THE TRADE FOR QUITE A

WHILE, HAS NOTABLY BEEN REINFORCED THIS WEEK BY THE ABRUPT DECLINE OF MILDS WHICH ARE GENERALLY THE MARKET'S WEAK LINK. WHEN CAFES SUAVES WAS CREATED TO MAINTAIN HIGH PRICE LEVELS FOR THESE ORIGINS, THE MARKET, ALTHOUGH VERY SCEPTICAL, HAD HOPED THAT, MAYBE THIS TIME, PRODUCERS WOULD UPHOLD THEIR MUTUAL AGREEMENT AND ESTABLISH A SALES' POLICY WHICH WOULD BENEFIT ALL OF ITS MEMBERS. ONCE AGAIN, IT IS NOT THE CASE. IF ANY SCHEME OF SUPPORT WAS EVER AGREED UPON, IT WOULD APPEAR THAT IT IS STILL AT THE THEORETICAL STAGE AND HAS NEVER BEEN PUT INTO ACTION. AS A MATTER OF FACT, THERE WAS AN ABUNDANCE OF OFFERS THIS WEEK FROM SOME OF THESE ORIGINS, AT DAILY DECLINING LEVELS, PRESSING ON THE MARKET. UNFORTUNATELY, IT SEEMS THAT THE SCEPTICISM WITH WHICH THE CREATION OF CAFES SUAVES WAS RECEIVED HERE, WAS MORE THAN WARRANTED.

C. AS REGARDS MORE PARTICULARLY ROBUSTAS, THEY CAN ONLY SUFFER FROM THE PRESENT STATE OF AFFAIRS. IN COMPARISON, THEIR PRICES HAVE NOT DROPPED AS MUCH AS MILDS' LEVELS. HOWEVER, THIS IS DUE IN PART TO THE FACT THAT THESE PRO-
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PAGE 03 STATE 026214

DUCERS ARE APPARENTLY THE ONLY ONES STILL CONFORMING TO THE LONDON PRODUCERS' AGREEMENT, I.E. MAINTAINING HIGH LEVELS FOR THEIR COFFEES AND OFFERING WITHIN THEIR ALLOCATED LIMITS. IN SO DOING, THEIR OFFERS ARE UNATTRACTIVE, COMPLETELY OUT OF LINE WITH OTHER GROUPS AND NOT SELLING. ON THE OTHER HAND, PRICES MENTIONED FOR THIS GROUP IN OUR REPORT, ARE ONLY NOMINAL INDICATIONS AND HOLDERS OF LONG POSITIONS WOULD CERTAINLY BE WILLING TO PART WITH THEM

AT LOWER LEVELS THAN THOSE MENTIONED IF THEY COULD ONLY
FIND ANY BUYING INTEREST. HOWEVER, ROASTERS ARE EITHER
STILL WELL SUPPLIED OR, AS IS THEIR TRADITIONAL PRACTICE,
ARE NOT BUYING IN A DECLINING MARKET.

D. THE TRADE, HAVING LOST ALL CONFIDENCE IN THE PRESENT
MARKET, IS VERY BEARISH AND FORESEES FURTHER PRICE DE-
CLINES, ALTHOUGH THEY HAVE ALREADY CONSIDERABLY WEAKENED
DURING THE LAST FEW DAYS. END QUOTE. KISSINGER

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